

The complaint

Mr N complains that Leeds Building Society ('LBS') won't refund money he says was lost as the result of a scam.

What happened

In 2019, Mr N found an investment online offered by a company I'll refer to as S. The investment involved S purchasing and developing properties. Mr N was offered a loan agreement with S with a 14% return for a 12-month term.

Mr N made a payment of £93,998 from his LBS account to S in April 2019.

Mr N believes the investment was a scam and raised a fraud claim with LBS in 2024, through a professional representative.

LBS looked into Mr N's fraud claim but declined to refund him. LBS said they had no reason to suspect any wrongdoing when Mr N made the payment.

Mr N wasn't happy with LBS's response, so he brought a complaint to our service.

An investigator looked into Mr N's complaint but didn't recommend that LBS refund him. The investigator explained that it wasn't clear whether or not Mr N suffered his loss as the result of a scam. The investigator felt LBS should have intervened when the payment was made but didn't believe that intervention would've prevented Mr N's loss.

Mr N disagreed with the investigator's view and asked for an ombudsman to review his case. Mr N's representative says there was information available at the time Mr N made the payment that pointed to obvious red flags which LBS should've identified. This includes:

- One of the directors of S had previously been disqualified from acting as a company director for 8 years and had been made bankrupt in 2010.
- S's 2017 financial accounts were later said to reveal a £5.7million loss, a £11million discrepancy.
- S's asset ownership structure was opaque, and its key guarantees were likely unenforceable.
- Two individuals associated with S had a long history of running boiler room operations from Spain and these links could've been uncovered with basic checks on the beneficiary.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I'm really sorry that Mr N has suffered such a devastating financial loss. I understand that the money he invested with S was going to be used to purchase his own home.

It's important to explain that in reaching an answer on this case, I'm not making a finding as to whether S owes Mr N a refund. Rather, whether LBS can fairly be held liable for the loss Mr N suffered.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I've reached my decision on the balance of probabilities. In other words, on what I consider is more likely than not to have happened in light of the available evidence.

In broad terms, the starting position at law is that LBS is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account. It's not in dispute that Mr N authorised this payment, although he did so not realising he would suffer a financial loss as a result.

Taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider LBS should fairly and reasonably have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams.

Based on the size of the payment and that it depleted Mr N's balance to just over £100, I would have expected LBS to have identified a potential risk of financial harm from fraud and intervened. This intervention should've involved LBS contacting Mr N and asking open questions about the reason for the payment. This could have included questions about how Mr N found the investment, what return he was expecting, what research he had completed on the company and what he understood the investment to involve. LBS may have also asked Mr N to provide any documentation, paperwork or marketing material he'd received about the investment.

To clarify, there isn't an expectation on LBS to give Mr N advice on the suitability of the investment he is making. Also, the level of investigation that the representatives suggest LBS should've done to identify potential red flags, aren't checks I would've expected LBS to do based on the rules, regulations and industry guidelines.

I would expect LBS to look out for warning signs like unrealistic returns, where customers haven't done any checks on the company they're investing in, where a customer doesn't understand what the investment involves, a lack of any paperwork or documentation that would normally be expected when investing, or any obvious red flags in the information shared with them by the customer.

I think it's more likely than not Mr N would've shared the marketing material he had about S, if LBS has requested it. He would've told LBS that he had checked S's website and had several calls and emails with S about the investment.

One of the marketing brochures had a link to a BBC documentary about a historic site that S had purchased and refurbished. The marketing material and loan agreements that Mr N received looked professional and legitimate. At the time Mr N made the payments, S was a UK incorporated company and appeared to be involved in multiple property development

projects. One of the companies that formed part of the wider group was listed in the London Stock Exchanges “1000 Companies to Inspire Britain 2018”.

Based on the information I think it's more likely than not Mr N would've shared with LBS, I'm not satisfied that LBS would've or should've been concerned whereby they could have reasonably refused to follow Mr N's payment instructions.

I'm sorry to disappoint Mr N, but I'm not satisfied that I can fairly hold LBS liable for his loss or ask them to refund him.

My final decision

My final decision is that I don't uphold this complaint against Leeds Building Society.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 6 January 2026.

Lisa Lowe
Ombudsman